

# Maurice Hinchey NEWS

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### HINCHEY OPPOSES BUSH PLAN TO PRIVATIZE SOCIAL SECURITY

*BINGHAMTON - U.S. Representative Maurice Hinchey (D-NY) today spoke at a press conference to express strong opposition to the soon-to-be-released plan to partially privatize Social Security. A commission appointed by President Bush is scheduled to release a draft of its final recommendations on Tuesday. A copy of Hinchey's remarks follows:*

"It's time to set the record straight about Social Security privatization.

"President Bush appointed a Social Security Commission that is stacked with people who favor his plan to privatize Social Security. These "privatizers" are running around claiming there is a crisis in an attempt to discredit Social Security and deliver the money to Wall Street financial firms that stand to reap the greatest rewards from privatization.

"In fact, no such crisis exists. Social Security can pay promised benefits in full for nearly four decades, even with no changes. While we must take action to address the long-term challenges of preserving and strengthening Social Security's unique features, this is a challenge - not a crisis - and it does not warrant a radical change that would put the system at risk.

"Recently, the President's Commission on Social Security released initial details of three options to partially privatize the Social Security system, with the final report to be released later this month. These plans raise several troubling issues: all three would worsen the solvency of Social Security; all would require a reduction in Social Security benefits when retirees receive payments from their individual accounts; one plan calls for benefit cuts of up to 48 percent; and another contains a disguised increase in the retirement age.

"Given these options, privatization is a so-called solution that's worse than the problem.

"A privatized system would threaten current benefit levels just as the baby boom generation reaches retirement; increase the amount of risk workers and their families would bear; threaten survivors and disability benefits; and make the projected shortfall worse, not better.

"Diverting two percentage points of payroll taxes into private accounts, would drain more than \$1 trillion out of Social Security over 10 years, and exhaust the Social Security Trust Funds 14 years sooner than is currently projected. Advocates of privatization always claimed that the

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transition to private accounts could be financed through available budget surpluses. However, the surpluses outside Social Security have already been consumed by the President's irresponsible tax cut that has put us back into deficits. So whom does that leave to pay for privatization?

"The poison pill of the privatization plan is that benefits will need to be cut for current and future retirees. Those who can least afford to have their guaranteed benefits cut dramatically –today's seniors, the Baby Boom generation, the disabled, widows and young children – would face the prospect of having them cut by more than 40 percent. We simply cannot let this happen.

"The "privatizers" talk a lot about rates of return, so let's look at the facts. Today, excess Social Security tax receipts are invested in Treasury bonds - the safest investment available in the world, backed by the full faith and credit of the U.S. government. In 2000, these bonds returned a rate of 6.9 percent.

"Privatizers in turn rely on overly optimistic rates of return and assume that the stock market will perform as well in the future as it did in the past decade - a very risky assumption when you consider that last year the stocks of dozens of prominent companies have crashed.

"Moreover, it's a dishonest sleight of hand by supporters of privatization to compare returns to Social Security to returns from private savings that provide only retirement benefits. Social Security is an insurance program -- not an investment program -- and offers benefits and protections that no investment program can provide. Unlike investment accounts, Social Security pays a progressive monthly benefit that lasts a lifetime and is guaranteed to increase every year at a rate that is protected against inflation -- all with no risk of investment loss. At the same time, Social Security provides income security to disabled workers, survivors and their families that is simply unavailable in the private market.

"These features of Social Security mean that workers and their families have the freedom to build the bulk of their retirement savings through their own accounts that entail financial risk. So while many hard-working employees of Enron and other failed companies have seen their retirement savings wiped out, Social Security will be there as a safety net.

"Social Security ensures that people who have worked hard all their lives have a minimally decent standard of living in retirement. Turning Social Security into a quasi-401k plan would eliminate the very income guarantees that have made it a lifesaver for our most vulnerable citizens. Social Security has been spectacularly successful in reducing poverty among the elderly and disabled. Without Social Security, more than 50 percent of all retirees would live in poverty.

"For all of those seniors and the future generations who are counting on Social Security as the most important, most stable foundation for their retirement, we can't afford this risky privatization scheme. There is no need to abandon this successful insurance system that is so important to so many. Stand up and make your voices heard against this high-risk, family-unfriendly system of privatization."